

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

ACDA-05 EB-07 COME-00 TRSE-00 STR-04 OMB-01 /083 W

----- 003679

R 301625Z JUL 75

FM AMEMBASSY BERLIN

TO SECSTATE WASHDC 1147

INFO AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USMISSION NATO

C O N F I D E N T I A L BERLIN 6096

EO 11652: GDS

TAGS: GE, ECON

SUBJECT: FIRST HALF 1975 PLAN FULFILLMENT RESULTS

REF: BERLIN 5070

SUMMARY: FIGURES ON ECONOMIC PLAN FULFILLMENT FOR THE FIRST HALF OF 1975 SUGGEST THAT INTENSE EFFORTS TO INCREASE LABOR PRODUCTIVITY ARE ENJOYING SOME SUCCESS, NATIONAL INCOME IS GROWING AT THE MODEST RATE SET IN THE 1975 PLAN, WHILE THE GROWTH RATE OF CONSUMER INCOME AND RETAIL TRADE TURNOVER IS DECLINING. FOREIGN TRADE TURNOVER, WHICH WE ESTIMATE TO BE ABOUT 9 PER CENT ABOVE A YEAR AGO, IS APPARENTLY BACK UNDER CONTROL AFTER THE UNEXPECTED AND UNWELCOME FOREIGN TRADE PLAN OVERFULFILLMENT EXPERIENCED IN 1974. END SUMMARY.

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1. FIGURES PUBLISHED JULY 10 IN NEUES DEUTSCHLAND ON FIRST HALF 1975 PLAN FULFILLMENT SHOW THAT "PRODUCED NATIONAL INCOME" IS RIGHT ON THE 1975 TARGET, 5.5 PER CENT ABOVE A YEAR EARLIER. GROWTH OF LABOR PRODUCTIVITY IN INDUSTRY, THE FOCUS OF AN INTENSIVE NATIONWIDE CAMPAIGN, WAS REPORTED AT 6.7 PER CENT, MORE THAN A PERCENTAGE POINT ABOVE THE 5.6 PER CENT SET IN THE 1975 PLAN; AND THE GROWTH OF INDUSTRIAL OUTPUT, 6.8 PER CENT, EXCEEDS BY A COMFORTABLE MARGIN THE PLAN GOAL OF 6.3 PER CENT.

2. GROWTH OF PERSONAL INCOME, MEASURED AS TOTAL NET INCOME ACCRUING TO THE PUBLIC, AT 4.3 PER CENT IS BELOW THE 4.4 PER CENT ENVISIONED IN THE 1975 PLAN AND A HALF PER CENT LOWER THAN ACTUAL PERFORMANCE IN 1974. MORE BAD NEWS FOR CONSUMERS WAS UNDERFULFILLMENT OF PRODUCTION PLANS FOR SEVERAL TYPES OF CONSUMER GOODS, INCLUDING SHOES, AND WEATHER-GENERATED DIFFICULTIES IN FRUIT AND VEGETABLE PRODUCTION.

3. IN WHAT SUGGESTS THAT DETERIORATION OF GDR TERMS OF TRADE MAY HAVE BEGUN TO AFFECT THE AVAILABILITY OF CONSUMER GOODS, RETAIL TRADE TURNOVER GREW ONLY 4.2 PER CENT, BELOW THE 4.6 PER CENT TARGET SET IN THE 1974 PLAN, AND FAR BELOW THE 5.9 PER CENT INCREASE REGISTERED IN 1974.

4. WE CALCULATE THAT AGGREGATE FOREIGN TRADE TURNOVER GREW ABOUT 9 PER CENT IN COMPARISON WITH THE FIRST HALF OF 1974, REPRESENTING A SHARP SLOWDOWN FROM THE NEARLY 20 PER CENT REGISTERED IN 1974. THE PLAN TARGET FOR 1975 IS 9.1 PER CENT. WITHIN THE FOREIGN TRADE TOTAL, TRADE WITH COMECON COUNTRIES WAS UP 11 PER CENT, WITH THE LDC'S UP 16 PER CENT, AND WITH THE INDUSTRIALIZED WEST UP 4 PER CENT, COMPARED TO 10.8, 74.2, AND 33.7 PER CENT, RESPECTIVELY, IN 1974.

5. NARRATIVE ACCOMPANYING THE PLAN FULFILLMENT DATA SUGGESTS THAT WHILE TARGETS FOR INCREASED LABOR PRODUCTIVITY, MORE INTENSIVE CAPITAL EQUIPMENT UTILIZATION, AND REDUCTION OF FUEL AND RAW MATERIAL EXPENDITURES PER UNIT OF OUTPUT ARE BEING MET IN GLOBAL TERMS, PERFORMANCE
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IS SPOTTY, WITH A FEW CENTRALLY-DIRECTED ENTERPRISES MAKING A DISPROPORTIONATELY LARGE CONTRIBUTION TO FULFILLMENT OF THESE PLAN GOALS.

6. INVESTMENT--PRIMARILY FOR DEVELOPMENT OF DOMESTIC FUEL AND RAW MATERIAL INDUSTRIES, THE CONSUMER GOODS INDUSTRY, HOUSING AND PUBLIC HEALTH AND SOCIAL SERVICES--GREW 4 PER CENT. DELAYS IN PROJECT COMPLETIONS CAUSED BY PLANNING

DEFICIENCIES AND CONSTRUCTION AND EQUIPMENT DELIVERY
DELAYS CONTINUED TO HAMPER INVESTMENT PLAN FULFILLMENT.

7. COMMENT: IF THE PLAN FULFILLMENT REPORT FOR FIRST
HALF 1975 PROVIDED NOTHING TO CHEER ABOUT, NEITHER IS IT
A CAUSE FOR ALARM FOR THE GDR. BESET BY UNCERTAINTIES
AND RISING PRICES IN EAST AND WEST, THE LEADERSHIP IS
PURSUING ITS GOAL OF MODEST GROWTH AND INCREASED PRODUC-
TIVITY WITH REASONABLE SUCCESS.
MEANWHILE THE GDR CONSUMER, WHO EARLIER HAD BEEN
TOLD THAT SOCIALISM WOULD SHIELD HIM FROM THE VICISSI-
TUDES OF THE CAPITALIST WORLD ECONOMY, MAY BE BEGINNING
TO FEEL A PINCH. COOPER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, NATIONAL INCOME, ECONOMIC PROGRAMS, DEVELOPMENT PROGRAMS, FOREIGN TRADE, DEVELOPMENT INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BERLIN06096
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750263-0765
From: BERLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975075/aaaaaenr.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BERLIN 5070
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2003 by Izenbel0>; APPROVED <24 SEP 2003 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FIRST HALF 1975 PLAN FULFILLMENT RESULTS
TAGS: ECON, GC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006